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BUDGETARY AND FINANCE COMMITTEE
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Item 3 (c) of the agenda of the Budgetary
and Finance Committee

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Anna-Karin HOLM-ERICSON (Sweden)

CHAPTER III. Financial, budgetary and administrative matters

C. Audit reports and other matters

1. For its consideration of item 3 (c), the Budgetary and Finance Committee had before it the report of the Administrator (DP/1993/47), the note by the Administrator on the audit reports of executing agencies (DP/1993/48) and the audited accounts and audit reports of the executing agencies (DP/1993/48/Add.1).

2. The Assistant Administrator, Bureau for Finance and Administration, introduced the item, noting that UNDP was providing members with a summary overview of recommendations made by the Board of Auditors, the response in summary form provided by UNDP to the Fifth Committee; and subsequent actions or steps taken or being taken by UNDP with target dates for completion. In an update of actions taken since the preparation of document DP/1993/47, he indicated that the large majority of actions were expected to be completed by the end of the year. He further noted that slippage had occurred in a few items, such as the establishment of a decentralized property control and an inventory management system and the finalization of the instructions regarding the use of modalities for the hiring of consultants.

3. The Assistant Administrator drew attention to the reorganization and rationalization of the Bureau for Finance and Administration: the Bureau would take on direct responsibility for external audit, thus eliminating the possible conflict of interest noted previously by the External Auditors. The Assistant Administrator concluded by reiterating that UNDP took the external audit very seriously and continued to improve its efficiency and effectiveness and enhance accountability.

Summary of the discussion in the Committee

4. Several members expressed concern that the situation that had led to the qualification of the UNDP accounts had not been rectified and questioned what further steps might be taken. One member also drew attention to the fact the UNDP accounts were not maintained in accordance with generally accepted accounting principles. Several members also asked for an update on the status of the streamlining of the project appraisal/approval process since it was felt that current procedures delayed project implementation. Several members indicated concern regarding implementation of an inventory control system that would protect expendable and non-expendable property.

5. Some members mentioned the need to verify the implementation of the recommendations of the External Auditors. Members also requested information on the regional service centre concept and the practice of ex post facto approval of contracts. In addition, one member stressed the importance of proper application of rules and procedures regarding consultancy contracts. One member also noted the continuing need to monitor the Office for Project Services.

6. Some members requested confirmation that the Division for Audit and Management Review (DAMR) no longer had operational responsibilities.

7. Several members commended UNDP for the constructive and transparent approach taken in addressing the recommendations of the Board of Auditors.

Response of the Administration

8. The Assistant Administrator explained the audit process and the various stages at which the response of UNDP to the audit comments were verified. With respect to questions raised regarding an inventory system, he indicated that he felt it imperative to address all issues related to the process, including procurement, inventory management, write-offs and disposals. In that respect, he noted that headquarters procedures had been reviewed and improvements were being introduced based on decentralized management of property control with the support of a total quality team. With respect to the project appraisal/approval process, the Assistant Administrator indicated that the decision had been taken to increase the approval authority of resident representatives to $1 million and that of Bureau Directors to $3 million. The detailed procedures and guidelines were being elaborated.

9. The Assistant Administrator further explained the regional service centre concept and its possible expansion to other regions as well as of its scope of work. He also informed the Committee of the proposed reorganization of the Bureau for Finance and Administration, which would include the establishment of an Office of Budget and Management, to address specific audit issues, including follow-up and monitoring. The proposal would be presented in more detail during the discussions on the budget. He indicated that steps had been taken to limit retroactive approval of consultancy contracts to those resulting from emergency situations where procedural requirements delay the actual approval and therefore require special consideration. He indicated that, as Chief Procurement Officer, he reviewed each of the situations carefully.

10. The Administration also confirmed that DAMR no longer carried operational responsibilities. However, the Administration did consult with internal audit on a regular basis and makes use of its expertise in a preventive manner.

11. The representative of the Board of Auditors confirmed that the audit team did, in fact, review actions taken by UNDP on the recommendations of the Board of Auditors, as requested by the Fifth Committee in its decision on the audit debate. The representative of the Board of Auditors also indicated that progress had been made on the issue of generally accepted accounting principles applicable to the United Nations system, which was currently being discussed with the Panel of Auditors. In addition, he indicated that the External Auditors would also be taking up the issue of audit certificates of the executing agencies to facilitate progress on the matter.

Recommendation of the Committee

12. Following its consideration of the subject, the Budgetary and Finance Committee recommended that the Governing Council adopt the following draft decision:

The Governing Council,

Having considered the financial report and the audited financial statements for the biennium ended 31 December 1991 and the report of the Board of Auditors, contained in General Assembly document A/47/5/Add.1, as well as the views of the Advisory Committee on Administrative and Budgetary Questions thereon, contained in document A/47/500,

Having also considered document DP/1993/47, containing the report of the Administrator and the descriptions and actions taken in response to its decision 92/38 of 26 May 1992 as well as General Assembly resolution 47/211 of 22 December 1992, and documents DP/1993/48 and Add.1, pursuant to its decision 92/39, containing the note of the Administrator on the audit reports of the executing agencies,

Taking into account the views and comments raised during the discussion on these matters, as well as the additional information provided by the Administrator and the Board of Auditors,

1. Expresses appreciation for the valuable work done by the Board of Auditors and for the breadth and scope of its report;

2. Notes that the Administrator has taken or is taking action to correct the situations identified by the Board of Auditors;

3. Notes with satisfaction that the standard basic executing agency agreements have now all been approved or signed;

4. Commends the Administrator for the constructive, proactive and transparent approach taken in addressing the recommendations of the Board of Auditors, as acknowledged by the General Assembly in paragraph 11 of its resolution 47/211 of 22 December 1992;

5. Notes the progress made, as reported to the Governing Council by the Board of Auditors, on the issue of generally accepted accounting standards and principles applicable to the United Nations system;

6. Notes the Administrator's confirmation that the Division of Audit and Management Review does not have operational responsibilities, thus eliminating any potential conflict of interest on its part;

7. Also notes with approval the proposal of the Administrator to institutionalize a regular mechanism to follow up the external and internal audit recommendations as part of the proposed establishment of the Office of Budget and Management within the Bureau for Finance and Administration;

8. Supports the Administrator's initiatives to expand audit coverage through the regional service centre concept;

9. Urges the Administrator to continue to take up the issue of the need for timely audited statements from executing agencies in the appropriate inter-agency forums;

10. Also urges the Administrator to ensure strict adherence to established rules and procedures regarding the hiring of consultants and to monitor carefully the implementation of the revised instructions planned to be issued in 1993;

11. Commends the Administrator on the actions taken after the thirty-ninth session of the Governing Council in streamlining project appraisal and approval procedures;

12. Requests the Administrator to continue to streamline the project appraisal and approval procedures of the United Nations Development Programme;

13. Also requests the Administrator to intensify efforts to finalize the measures that address the recommendations of the Board of Auditors regarding the need to establish adequate property control, including accountability;

14. Expresses an interest in receiving any subsequent comments from the Board of Auditors concerning action taken by the United Nations Development Programme to respond to the recommendations of the Board.